

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

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TO SECSTATE WASHDC 9388

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TAGS: EGEN, OECD, EC, OVIP

SUBJECT: VISIT AMB MALMGREN AND DEPUTY ASST SECY RENNER: ART

XXIV:6, MTN, AND SAFEGUARDS

REF: OECD PARIS 16036, 16037

1. SUMMARY. IN THEIR DISCUSSIONS IN ROME, AMB MALMGREN AND RENNER GOT AGREEMENT FROM ITALIAN COMMITTEE 113 REPRESENTATIVE FRACASSI TO SUPPORT INFORMAL US- EC TALKS TO SHAPE AN ART. XXIV:6 PACKAGE.

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ITALIANS ARE WORRIED ABOUT FRENCH, BOTH IN ART. XXIV:6 AND PREPARATION OF EC GLOBAL MANDATE, BUT THINK SITUATION IS MANAGEABLE. THEY WANT AN EFFICIENT MULTILATERAL SAFEGUARDS AGREEMENT.

2. AMB. MALMGREN AND EPUTY ASST. SCY RENNER DINED JUNE 14 AT DCM RESIDENCE WITH SMALL GROUP ITALIAN OFFICIALS INCLUDING FRACASSI, DIR GEN OF TRADE AGREEMENTS, MINISTRY OF FOREIGN TRADE (AND ITALIAN REP ON 113 COMMITTEE) AND MILESE- FERRETTI, DEPUTY DIR GEN POLITICAL AFFAIRS (ACTION DIR GEN), MFA. THE EXTENDED GIVE AND TAKE, PARTICULARLY BETWEEN AMB MALMGREN AND MILESE-FERRETTI, BROUGHT TOGETHER POLITICAL AND ECONOMIC ASPECTS OF ART. XXIV:6 AND MTN IN WAY WHICH WE DOUBT THAT ITALIAN SIDE HAD BEEN ABLE PREVIOUSLY TO SEE. (LATERAL COORDINATION, EVEN WITHIN MINISTRIES SUCH AS MFA, IS CONTINUAL SOURCE DIFFICULTY FOR GOI).

3. AMB MALMGREN AND RENNER, ACCOMPANIED BY ECON- COMMERCIAL MINISTER, HAD EXTENSIVE SESSION WITH FRACASSI AND HIS STAFF AT MINISTRY FOREIGN TRADE JUNE 16 IN GOOD ATMOSPHERE.

A. ART XXIV:6. FRACASSI WAS INITIALLY WORRIED THAT INTRA- EC DIFFICULTIES (I. E. WITH FRANCE) WOULD MAKE PROGRESS, HOWEVER DESIRABLE, VERY DIFFICULT. AMB MALMGREN POINTED OUT THAT ALL EC MEMBERS SHARE COMMON OBJECTIVE OF NOT INFLATING ART. XXIV:6 ISSUE OR HAVING IT BLOW UP, AND STRESSED US DESIRE TO BE PRACTICAL AND SENSITIVE TO EC CONCERNS. HE AND RENNER POINTED OUT THAT AS CONCESSION TO EC AND AS PART OF AN ALLOVER PACKAGE, US PREPARED CONSIDER SEPARATE PROCEDURE FOR GRAINS WHICH WOULD EXEMPT THEM FROM THE NEGOTIATING DEADLINE. FRACASSI ASKED IF US HAD SPECIFIC PRODUCTS ON ITS AGRICULTURAL AND INDUSTRIAL LISTS. US SIDE DID NOT WISH DISCUSS PRODUCTS BUT STRESSED US FLEXIBILITY AND NEED FOR COMPENSATION EQUALLING TRADE LOSSES THROUGH ENLARGEMENT, PARTICULARLY GIVEN PROGRESS OF TRADE REFORM ACT IN HOUSE. AT CONCLUSION THIS PORTION OF DISCUSSION, FRACASSI SAID HE WOULD SUPPORT US VIEWS IN 113 COMMITTEE JUNE 18 AND THAT HE THOUGHT FRENCH OPPOSITION WOULD BE MANAGEABLE. HIS PRIMARY OBJECTIVE IS TO REDUCE LEVEL OF PROTECTION ON GRAINS.

B. PREPARATIONS FOR MTN. IN DISCUSSION OF THE FRENCH ATTEMPTS TO LIMIT THE EC MANDATE, FRACASSI COMMENTED THAT HE BELIEVES THAT FRENCH ARE SEEKING TO TURN THE GLOBAL MANDATE INTO A POLITICAL REPLY TO THE TRADE REFORM ACT. HE IS NONETHELESS OPTIMISTIC THAT LIMITED OFFICIAL USE

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THE COMMUNITY WILL BE ABLE TO GET USABLE MANDATE AT PRICE OF A DECLARATION, PROBABLY IN THE PREAMBLE, WHICH WILL BE UNFAVORABLE

TO US BUT NECESSARY TO CONCILIATE THE FRENCH. HE WILL TRY NEXT WEEK AT EC WORKING SESSION TO REDUCE AMOUNT OF DETAIL BUT IS ALSO CONCERNED ABOUT GETTING FRENCH TO AGREE. FRACASSI SAID THAT NINE ARE UNANIMOUS, ALTHOUGH FOR DIFFERENT REASONS, ON NECESSITY FOR SOME WORK ON HARMONIZATION, BUT SEEMED RECEPTIVE TO MALMGREN' S AND RENNER' S URGING THAT THE EC NOT ENGAGE IN DE FACTO PRENEGOTIATION IN SHAPING THE GLOBAL MANDATE.

C. SAFEGUARDS. FRACASSI AND HIS STAFF WERE CONCERNED ABOUT SAFEGUARDS. FRACASSI SAID THAT HE IS THE ONLY TRADE REP IN EC WHO HAS PRESSED FOR AN EFFICIENT RULE ON SAFEGUARDS PROCEDURE. UNDER HIS URGING, HIJZEN HAS PROMISED TO PRESENT AN EC PROPOSAL BY JULY 1. FRACASSI EMPHASIZED THAT SAFEGUARD ARRANGEMENTS ARE (A) A QUESTION TO BE SETTLED BETWEEN DEVELOPED COUNTRIES AND KEPT AWAY FROM THE LDGS, (B) MUST MAKE PROVISION FOR URGENT CASES, AND (C) SHOULD PROVIDE FOR OECD CONFRONTATION IN PRE- ALARM PERIOD.

4. WE ARE PLEASED WITH MALMGREN- RENNER VISIT. THEY WERE EFFECTIVE AND PERSUASIVE IN SETTING FORTH US VIEWS, AND MADE A DISTINCT IMPRESSION ON THE ITALIAN INTERLOCUTEURS. VOLPE

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